



THE FOUNDATION FOR ORANGE COUNTY
PUBLIC SCHOOLS

Investment Policy Statement
(updated Feb. 4, 2016)

I. Preamble

All funds of the Foundation for Orange County Public Schools (Foundation) are held by the Board of Directors as a fiduciary. Therefore, even the legally unrestricted funds of the Foundation are held by the corporation as a steward for the sake of carrying out its mission and purposes. The following investment objectives and directions are to be judged and understood in light of that overall sense of stewardship. This policy and all decisions implemented by the Board of Directors or any Investment Manager should follow all applicable law regarding not for profit entities and this Foundation.

II. Delegation

The Board of Directors has delegated supervisory authority over its financial affairs to the Finance Committee of the Board. The Finance Committee is responsible for regularly reporting on investments to the full Board. In carrying out its responsibilities, the Finance Committee and its agents will act in accordance with these Investment Policies (the Policies) and all applicable laws and regulations. The Board reserves to itself the exclusive right to revise the Policies.

The Board of Directors and its Finance Committee are authorized, but not required to retain one or more Investment Advisors to assume the investment management of funds and assets owned or administered by the Foundation. In discharging this authority, the Finance Committee can act in the place and stead of the Board and may receive reports from, pay compensation to, and enter into agreements with such Advisors. The Board may also grant exceptions to the Investment Policies when appropriate.

III. Purpose

The purpose of this investment policy statement is to establish a clear understanding of the investment objectives for the Foundation and to serve as a guideline for the investment manager who manages the funds. In addition, this policy statement describes the performance standards that will be utilized by the Foundation to monitor investment performance on a continuing basis.

IV. General Objectives

The primary objectives of the investments will be to preserve and protect the Foundation's assets while providing for long-term growth of principal and income based on the appropriate time horizon, liquidity needs, and risk tolerance of the Foundation. The objective shall be accomplished using a balanced strategy of equity and fixed income securities, and cash equivalents. The investment manager's greatest concern should be total return in a risk adverse manner with consistency of investment performance.

Due to the inevitability of short-term market fluctuations that may cause variations in investment performance, it is intended that the investment manager will achieve the following objectives over a moving five-year period.

V. *Performance Objectives*

The performance objectives for the manager’s portfolio shall be as follows:

1. The total return of the account will be benchmarked against an appropriate “Blended Index.”
2. The portfolio returns will also be benchmarked against the appropriate peer averages for similar not for profit entities with similar risk tolerances.
3. The performance of, and review of strategies employed by, the investment manager will be evaluated by the Foundation on a quarterly basis and compared to performance of the stated Blended Index to ensure that the objectives will be accomplished.

Asset Allocation Range

Fixed Income		35-65%
	Cash & Cash Equivalents	0-15%
	Fixed Income	0-65%
	Opportunistic Fixed Income	0-35%
Equity		35-65%
	Domestic Large Cap Equity	30-65%
	Domestic Small/Mid Cap Equity	0-10%
	International Equity	0-20%
	Commodities	0-7%
	Real Estate Investment Trusts	0-7%
*	No individual economic sector shall exceed 20% percent of the total Equity Income Strategy	

In the event that there is a dramatic change in general market conditions and the investment manager initiates a material shift in asset allocation, which would take the asset allocation out of range, the Foundation's Director should be notified in writing. This notification will then be distributed to the Foundation's Finance Committee to be reported to the Foundation's Board of Directors.

Definitions

Cash & Cash Equivalents

Cash and cash equivalents are highly liquid short-term debt instruments that may include investment grade taxable or US Government money market funds.

Fixed Income

Taxable fixed income securities are defined as obligations of the U.S. Government, its agencies, and debt issued by domestic corporations. Only investment grade (BBB or better) individual bonds will be purchased for the fund. Investment in securities of a single issuer shall not be in excess of 10% of the total market value of the fund. This limitation does not apply to mutual funds or exchange-traded funds.

The taxable instruments used in the fund may include the following:

1. FDIC INSURED CERTIFICATE OF DEPOSITS
2. US CORPORATE BONDS
3. U.S. GOVERNMENT BONDS
4. U.S. GOVERNMENT AGENCY BONDS

Opportunistic Fixed Income

The Opportunistic Fixed Income/Low Volatility asset class generally includes securities that present attractive levels of expected return relative to their predicted risk but have characteristics that prohibit their inclusion as part of our long term strategic asset allocation. Exposure to this asset class may be developed through the use of mutual and exchange traded funds.

The taxable instruments used in the fund may include the following:

1. HIGH YIELD BOND FUNDS
2. PREFERRED STOCK FUNDS
3. ABSOLUTE RETURN FUNDS
4. MARKET NEUTRAL FUNDS

Domestic Large-Cap Equity

Large-cap domestic equity exposure will be maintained through a broad universe of stocks. Large-cap domestic stocks are typically defined as companies with a market capitalization in excess of \$10 billion. Investment in securities of a single issuer shall not be in excess of five percent of the total market value of the fund, nor shall the value be in excess of 10% of the Equity portion of the fund. This limitation does not apply to mutual funds or exchange-traded funds.

Domestic Small/Mid-Cap Equity

Small/Mid-cap domestic equity generally includes stocks with a market capitalization under \$10 billion. Small/mid-cap stocks often carry a greater level of risk than large-cap stocks, but tend to offer higher levels of return over the longer term. Exposure to this asset class will be developed through the use of mutual and exchange traded funds.

International Equity

International Equity provides the portfolios with exposure to developed large and small capitalization companies, and/or emerging markets around the world. International equities typically have a higher level of risk relative to domestic equity securities, but allow investors to further diversify their portfolios with exposure to economies and growth opportunities outside the market. Exposure to this asset class will be developed through the use of mutual and exchange traded funds.

Commodities

Commodities include oil, gas, gold and other tangible assets that generally remain homogenous from producer to producer. Commodities typically hold a low or negative return correlation with bond and stocks. While commodities tend to be a high volatility asset class, over time holding them in a diversified portfolio has actually minimized portfolio risk and enhanced portfolio return. Exposure to this asset class will be developed through the use of mutual and exchange-traded funds.

Real Estate Investment Trusts (REITs)

REITs typically carry high yields and provide investors with the opportunity to invest in a diversified portfolio of commercial real estate such as shopping malls, apartment and office buildings. Exposure to this asset class will be developed through the use of mutual and exchange traded funds.

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VI. Evaluation of Investment Managers

The investment manager will be evaluated by the Foundation's Finance Committee and reviewed by the Foundation's Board of Directors based upon the following criteria:

1. Ability to meet or exceed the performance objectives stated herein.
2. Adherence to the philosophy and style that were articulated to the Foundation's Board of Directors at, or subsequent to, the time the investment manager was retained, as well as later requests made by the Foundation's Director, Finance Committee and/or the Foundation's Board of Directors.

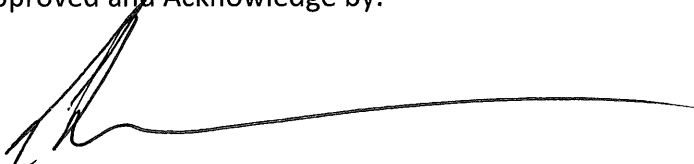
VII. Investment Manager Requirements

Unless prior written approval is obtained from the Foundation's Board of Directors:

1. The investment manager shall have full investment discretion with regard to market timing and security selection within the guidelines of this Investment Policy Statement.
2. The investment manager should be prepared to provide quarterly reports regarding the performance of the Foundation's investments and to meet with the Foundation Finance Committee at least annually.
3. There shall be no short selling or direct use of hedge funds or leveraged equity derivatives in this portfolio, unless specifically approved in advance by the Board of Directors.
4. There shall be no investments in non-marketable securities. Certificates of Deposits of FDIC insured banks are acceptable.
5. Equities purchased on behalf of the Foundation should be traded on U.S. stock exchanges and ADRs.

6. The investment manager shall notify the Foundation's Director, who shall in turn notify the Foundation's Finance Committee and Board of Directors, of any material changes in the investment outlook, investment strategy, ownership, organizational structure, financial condition or senior personnel.

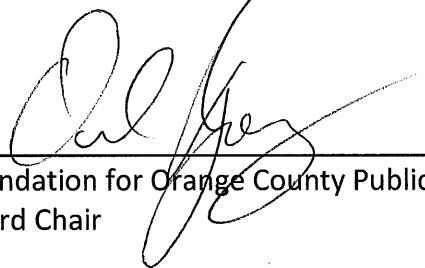
Approved and Acknowledge by:



Finance Committee Chair

2/18/16

Date



Foundation for Orange County Public Schools
Board Chair

2/12/16

Date

February 4, 2016
November 2013
February 2013
September 2007